



NATIONAL SENIOR CERTIFICATE EXAMINATION
MAY 2023

ACCOUNTING: PAPER I

Time: 2 hours

200 marks

INFORMATION BOOKLET

QUESTION 1 ASSET MANAGEMENT & VAT (53 marks, 32 minutes)**QUESTION 1A INVENTORY SYSTEMS (22 marks, 13 minutes)****Information relating to Patel's Pies.**

Patel's Pies is a local retail business that buys frozen pies, cooks them and sells them to the public. Following record sales in 2021 of more than 200 000 pies, they invested in more freezers and ovens.

- The latest financial year ends on 30 September 2022.
- They use the periodic inventory system for all stock.
- They value their stock using the FIFO (first-in first-out) method.

Patel's Pies is granted 7 days by suppliers to return stock that they are not satisfied with.

1. Below are their stock records for the year.

	Number of pies	Cost per pie (including carriage)	Total cost
Opening stock (1 October 2021)	24 000	9	216 000
Purchases during the year	111 000		768 000
December 2021	41 000	6	246 000
March 2022	32 000	8	256 000
June 2022	38 000	7	266 000

2. The following information was extracted from the stock records:

- The carriage on purchases amounted to 12 cents a pie.
- A total of 2 000 pies were returned from the March 2022 purchase. Carriage was not refundable on this return.
- 1 000 pies were thrown away as they went stale.
- 122 000 pies were sold at R20 each.
- The total cost of sales for the year was R890 960.

QUESTION 1B VAT**(11 marks, 7 minutes)****Information relating to Patel's Pies.****VAT is calculated at 15%****Year-end 2022**

The following transactions were extracted from the accounting records of Patel's Pies for the year ended 30 September 2022.

1. Sold 1 100 pies for R23 each, this includes R3 VAT on each pie.
2. Purchased a delivery van for R184 000 (inclusive) before a trade discount of 7½% was negotiated.
3. Returned R16 000 (exclusive) worth of pies to a supplier. The creditor charged a 10% handling fee on the return.
4. A debtor who owed R4 025 was declared insolvent. His estate has paid 60c in the rand. The remainder must be written off.

QUESTION 1C FIXED ASSETS**(20 marks, 12 minutes)****Information relating to Patel's Pies.**

1. Extracted balances on 1 October 2021:

Equipment	R1 740 000
Accumulated depreciation on equipment	R 651 000
2. The following transactions relate to the equipment for the year ended 30 September 2022:
 - (a) On 31 January 2022 an oven that cost R460 000 caught fire and was destroyed. The accumulated depreciation on the oven on 1 October 2021 was R138 000.
 - (b) The oven was replaced on 1 February 2022 with a new one that was purchased on account.
 - (c) Depreciation is calculated at 18% p.a. using the diminishing balance method.

QUESTION 2 COMPANY FINANCIAL STATEMENTS (68 marks, 40 minutes)**Information relating to Lamola Limited**

Lamola Ltd is a South African listed company that specialises in the food and drink sector. They have an authorised share capital of 5 000 000 ordinary shares. Lamola Ltd has recently undergone a massive expansion regarding the number of retail outlets that they own.

Their normal mark-up on goods is 100% on cost. Their latest financial year-end is 28 February 2022.

1. Extracted balances from the pre-adjustment trial balance for the year ended 28 February 2022.

Balance Sheet Section	
Ordinary share capital (1 March 2021)	R23 800 000
Retained income (1 March 2021)	R6 580 000
Trading stock	R8 532 000
Debtors control	R5 126 400
Provision for bad debts	R96 000
SARS: Income tax	R1 462 000 (dr)
Creditors control	R9 659 000

Transactions involving shares, dividends and taxation that have been recorded:

1 March 2021

No amounts are outstanding to SARS for income tax.

31 May 2021

No changes have been made to the share capital since the end of last year. The company paid a total of R560 000 as the interim dividend of 16 cents per share.

31 August 2021

Issued 700 000 shares at R11,00 each.

31 January 2022

The company bought back 100 000 shares at R10,50 from the estate of a deceased shareholder.

28 February 2022

A final dividend of 21 cents per share was declared on the shares in issue.

Additional information and adjustments that still need to be taken into account:

1. A special insurance policy was taken out and the premium of R12 900 was paid on 1 January 2022. This is to cover the new stores for six months.
2. Two directors are still owed R20 000 each for directors' fees. One of these directors took R7 000 worth of stock and requested it be offset against his directors' fees.
3. A debtor returned goods that cost R8 400 as they were not to specification. The debtor was granted a trade discount and was only charged R15 960.
4. A delivery truck accident resulted in stock which cost R21 000 being damaged. The stock was sold to employees for cash at 'cost plus 20%'.
5. The annual physical stock count revealed the following was on hand:
 - Trading stock R8 489 800
 - Stationery R 14 500
6. A customer had overpaid her account by R3 000. As she also supplies the office with printing paper, she requested that the overpayment be transferred to her creditor's account.
7. Provision for bad debts must be reduced by R7 200.
8. One of the store properties was rented out to a sporting goods shop on 1 June 2021. A deposit of R10 000 was received and incorrectly credited to the rent income account. The rent is received one month in advance and was increased by R800 per month on 1 January 2022.
9. The loan statement indicated the following:

Balance on 1 March 2021	R2 750 000
Repayments including interest	R 577 500
Additional loan	R1 500 000
Balance on 28 February 2022	R3 975 000

Interest on the loan is capitalised. The annual repayment has been increased to R425 000 for 2022.

QUESTION 3 CASH FLOW STATEMENTS**(44 marks, 27 minutes)****Information relating to Makatu Machines Ltd.**

Makatu Machines Ltd is a South African listed company with an authorised share capital of 1 000 000 shares. They trade in domestic and industrial tools and machines. They predominantly supply the retail market but do have a factory shop that sells to the public.

1. Extract from the Statement of Financial Position (Balance Sheet) as at:

	28 February 2022	28 February 2021
Fixed assets (at carrying value)	R4 613 500	R2 680 000
Loan: Nizole Bank (8% p.a.)	R1 080 000	R1 350 000
Trading inventories	?	R1 164 000
Debtors control	R665 000	R850 000
SARS (Income Tax)	R41 200 (cr)	R36 800 (dr)
Accrued income (Rent income)	R72 600	R66 000
Accrued expenses (Interest on loan)	R9 000	R7 200
Shareholders for dividends	R168 000	R192 000

2. Additional information for the year ended 28 February 2022:

2.1 Profit

- The statement of comprehensive income (income statement) for the year ended 28 February 2022 revealed that the taxation on the net profit amounted to R589 500. The company tax rate is 30%.

2.2 Fixed Assets

- Additional land and buildings were purchased during the year.
- During the year the company sold old delivery vehicles for R495 000; this resulted in a profit on the sale of the asset of R12 000.
- Depreciation on all vehicles and equipment amounted to R256 500.

2.3 Loan

- Interest on loan is not capitalised. No new loans were taken out during the year. The loan repayment was made on 1 August 2021.

2.4 Stock

- Sales totalled R28 700 000 and the cost of sales totalled R16 400 000.
- The rate of stock turnover was 12,5 times a year.

2.5 The movement of **payables** resulted in an outflow of cash of R342 000.

2.6 Shares & Dividends

- Some shares were issued during the year and no shares were repurchased.
- Total dividends (declared & paid) for the year amounted to R416 000.

QUESTION 4 MANUFACTURING

(35 marks, 21 minutes)

Information relating to Roxy's Racing.

- Roxy's Racing is a manufacturing company that produces and sells aerodynamic clothing used in a variety of competitive sports.
- They own a 1 500 m² property, of which 1 000 m² is allocated to the factory and the rest to the offices and sales department.
- Their financial year ends on 28 February each year.

1. The following balances were extracted from their financial records:

	2022	2021
Direct (raw) materials	R730 000	R670 000
Work-In-Progress	R718 000	R524 000
Finished goods	?	R1 908 000
Indirect materials	R16 000	R21 000
Factory equipment	R1 400 000	R1 400 000
Accumulated depreciation on factory equipment	R945 000	R735 000

2. **Direct and indirect materials**

- (a) Raw materials to the value of R1 580 000 were purchased during the year.
- (b) The following invoice for raw materials was not recorded:

EVA Elastic 24 Buttercup Crescent, Edenvale, JHB Reg: 2015/4590/64	
200 m Spandex Super Brand	R26 000
Delivery charge	R500

- (c) The above invoice was not recorded as 50 m of the spandex was returned to the supplier as it was not to specification. There is no refund on the delivery charge.
- (d) Transport of goods is outsourced to Tyla Trucks. A summary of their statements reflected the following:
- (i) Delivery of raw materials to the factory, R31 000
 - (ii) Delivery of finished goods to the customers, R19 000
- (e) All indirect materials are allocated to the production process. Indirect materials purchased in the year amounted to R47 000.

3. **Labour**

- (a) The details of the factory manager's salary are as follows:

Monthly earnings	Monthly deductions
R60 000	Medical Aid R5 000 PAYE 26%
Company contributions	0,5:1 for Medical aid deductions

He is also entitled to a 13th cheque in December of each year.

- (b) The factory employs five workers who each take home a net wage of R179 376 per annum. This is after a total of 26% is deducted for PAYE and UIF. There are no company contributions for factory workers.

4. General Expenses

- (a) The following totals were extracted from the pre-adjustment trial balance on 28 February 2022:

Rent Expense	R234 000
Insurance	R 45 100
Water & Electricity	R 60 000

- (b) Rent is paid one month in advance and is allocated as per the floor space occupied by each department.
- (c) The factory uses 85% of the water and electricity.
- (d) The insurance for February 2022 is still owing. The insurance is allocated as follows: Factory : Administrative offices : Sales department ratio 3 : 1 : 2. Insurance premiums have remained unchanged for the year.
- (e) No factory equipment was bought or sold during the year.
- (f) An amount of R23 800 was allocated to the administrative offices as the annual allocation of the Wi-Fi costs. **This makes up 70% of the total cost.** The factory is allocated 10% of the Wi-Fi costs, with the sales department responsible for the rest.

5. Finished Goods

- (a) Total sales for the year amounted to R9 400 000.
- (b) A mark-up of 150% on cost is used on all clothing items.

Total: 200 marks